

# LOS ANGELES POLICE DEPARTMENT



**MICHAEL P. DOWNING**  
Chief of Police

**ANTONIO R. VILLARAIGOSA**  
Mayor

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Ref #: 14.1

November 5, 2009

Assistant Commissioner M.C.A. Santiago  
Inspector General  
Department of California Highway Patrol  
601 North 7<sup>th</sup> Street  
Sacramento, CA 95811

Dear Assistant Commissioner Santiago,


We have completed a peer review of the Department of California Highway Patrol Office of Inspections Audits Unit (OISP) for the period August 25, 2008 through November 2, 2009. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing*, published in July 2007 by the Association of Local Government Auditors (ALGA).

The peer review team members were Erin Kenney, Rowena Nelson, and James Yeung. We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by *The Institute of Internal Auditors*. Compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that, except for the items noted below, the OISP's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *the Standards* for assurance engagements during the period August 25, 2008 through November 2, 2009. Additionally, the OISP satisfactorily addressed recommendations from the prior peer review with the exception of documentation of audit planning as indicated below.

Improvement opportunities for the internal quality control system include accelerating report issuance, disclosing scope limitations, documentation of audit planning, and confirmation of auditor objectivity in accordance with Sections 2420, 2430, 2200, 1120, respectively, of *the Standards*. We have prepared a management letter detailing our findings and recommendations for strengthening your internal quality control system.

Very truly yours,

  
JODI WAKEFIELD, Captain  
Commanding Officer  
Internal Audits and Inspections Division

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Assistant Commissioner M.C.A. Santiago  
Inspector General  
Department of California Highway Patrol  
601 North 7<sup>th</sup> Street  
Sacramento, CA 95811

Dear Assistant Commissioner Santiago,

We have completed a peer review of the Department of California Highway Patrol Office of Inspections Audits Unit (*OISP*) for the period August 25, 2008 through November 2, 2009 and issued our report dated November 5, 2009. This management letter discusses observations and suggestions from our peer review.

The *OISP* demonstrated a high level of professionalism, commitment to quality, and to continuous improvements. Particularly significant was *OISP*'s ability to establish a quality audit unit in a short time period under current management. Some of the notable aspects of the *OISP*'s quality control system include:

## Risk Assessment

The *OISP* conducted a high-quality risk assessment that assisted the organization in identifying and evaluating significant exposures to risks and contributed to the improvement of risk management and control systems. The risk assessment process was continually improved year after year culminating in a current product that is comprehensive, participative of senior management, and technologically innovative.

## Audit Program

Workpapers demonstrated auditors had developed and implemented an audit program that exceeded *the Standards*. Audit programs provided a clear guideline of the audit objectives, and what steps the auditor would perform to ensure audit objectives were met. Additionally, each audit program was designed to document supervisory review.

## Workpaper Organization

We believe the documentation of audit work to support results and conclusions exceeded *the Standards*. The workpapers were thorough and easy to follow due to their logical organization that mirrored the audit process flow.

Improvement opportunities for the internal quality control system include accelerating report issuance, disclosing scope limitations, documentation of audit planning, and confirmation of auditor objectivity in accordance with Sections 2420, 2430, 2200, 1120, respectively, of *the Standards*.

#### Accelerating Report Issuance

Section 2420 of *the Standards* requires communications to be timely. Final audit reports were issued in excess of seven or more months after commencement of the audits, adversely impacting the quality of communication and management's ability to address findings. These delays were attributable to various factors throughout the audit cycle, including personnel resource constraints, multiple review levels through the chain of command, and inclusion of corrective actions taken in management's responses.

#### *Recommendations*

- Develop an audit plan, utilizing the risk assessment, that quantifies the required and available audit resources to assess resource requirements and to justify requests for additional personnel.
- Streamline the internal review and approval process.
- Re-evaluate the time frame requirements for management responses and corrective actions.

#### Disclosing Scope Limitations

Section 2430 of *the Standards* requires when non-compliance with *the Standards* impacts a specific engagement, communications of the results should disclose the:

- *Standard(s)* with which full compliance was not achieved,
- Reason(s) for noncompliance, and
- Impact of non-compliance on the engagement.

In 2008, the Office of the Commissioner directed the *OISP* to perform audits of a command selected by each Division. This imposed a scope limitation, pursuant to Section 1110.A1, that was not disclosed in the audit report as required by *the Standards*.

#### *Recommendation*

- Disclose non-compliance with *the Standards* in accordance with Section 2430.

#### Documentation of Audit Planning

Section 2200 of *the Standards* requires internal auditors to develop and record a plan for each engagement, including the scope, objectives, timing, and resource allocations. In 2008, audit work plans were not documented.

#### *Recommendation*

- Document planning for all engagements including the scope, objectives, timing, and resource allocations.


Auditor Objectivity

Section 1120 of *the Standards* requires internal auditors to have an impartial, unbiased attitude and avoid conflicts of interest. There was no positive confirmation that internal auditors were objective.

*Recommendation*

- Document positive confirmation that internal auditors are impartial, unbiased, and avoid conflicts of interest.

Very truly yours,

  
JODI WAKEFIELD, Captain  
Commanding Officer  
Internal Audits and Inspections Division

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

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November 5, 2009

File No.: 005.9968.A13471.010

Jodi Wakefield, Captain  
Commanding Officer  
Internal Audits and Inspections Division  
Los Angeles Police Department  
P. O. Box 30158  
Los Angeles, CA 90030

Dear Captain Wakefield:

The following is provided as the California Highway Patrol's (CHP) response to the peer review conducted by members of your audits team. Specifically, and as requested by the CHP, from November 2-5, 2009, Los Angeles Police Department (LAPD) auditors conducted a peer review of our Department for the period of August 25, 2008, through November 2, 2009, following the standards and guidelines contained in the *Peer Review Guide for Assessing Compliance with International Standards for the Professional Practice of Internal Auditing* (ISPPIA), published in July 2007 by the Association of Local Government Auditors (ALGA). I received your staff's opinion and management letters and my responses are in italics below.

Finding: Risk Assessment – Agree

"The [California Highway Patrol, Office of Inspections] OISP conducted a high-quality risk assessment that assisted the organization in identifying and evaluating significant exposures to risks and contributed to the improvement of risk management and control systems."

Finding: Audit Program – Agree

"Workpapers demonstrated auditors had developed and implemented an audit program that exceeded the Standards."

Finding: Workpaper Organization – Agree

"We believe the documentation of audit work to support results and conclusions exceeded the Standards."

Finding: Accelerating Report Issuance – Agree

- *Upon assuming the responsibilities of the Inspector General, I established an ambitious audit plan for the OISP. Unforeseen challenges such as travel restrictions, personnel vacancies, restrictions on overtime usage, and mandatory furloughs of audit staff have adversely impacted the timeliness of the publishing of final reports. These challenges were factored into the development of the CHP's 2010-2012 Audit Plan. Additionally, we will resubmit a Budget Change Proposal for Fiscal Year 2010-2011 to augment audit staffing.*
- *The OISP has revised its internal tracking document to assist in the management of its audit related reports. We will evaluate our internal review and approval process to identify opportunities to improve our efficiency and timeliness.*
- *We will evaluate our time frame requirements.*

Finding: Disclosing Scope Limitation – Agree

- *This issue was addressed in the 2009 Audit Plan and the 2010-2012 Audit Plan. The audits of commands are now based upon a comprehensive risk assessment, recommended by the Inspector General, and approved by the CHP Commissioner.*

Finding: Documentation of Audit Planning – Agree

- *Based on an internal review of audits identified in the 2008 Audit Plan, the OISP recognized it lacked documentation of audit planning. Therefore, in March 2009, the OISP began to document its audit planning on an "Engagement Planning Document." This process was formalized with the OISP's adoption of the Audit Standard Operating Procedures in August 2009.*

Finding: Auditor Objectivity – Agree

- *Based on an internal review of audits identified in the 2008 Audit Plan, the OISP recognized it lacked documentation confirming the auditors were independent and had no conflict of interest involving assigned audits. In March 2009, the OISP required auditors and the audit's management team to sign a "Statement of Independence." This process was formalized with the adoption of the Audit Standard Operating Procedures in August 2009.*

In accordance with Governor Arnold Schwarzenegger's Executive Order S-20-09 to increase government transparency, please note your peer review and my response will be posted on the CHP's internet website, and on the Office of the Governor's web page, located on the State's Government website.

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I was pleased with the professionalism and thoroughness of your audit staff. Please convey my sincere thanks to them for their efforts. They are outstanding representatives of the LAPD. Questions regarding this correspondence may be directed to at me at 916-843-3005.

Sincerely,

A handwritten signature in black ink, appearing to read "M. C. A. Santiago". The signature is fluid and cursive, with the last name "Santiago" being more prominent.

M. C. A. SANTIAGO, CIG  
Assistant Commissioner

cc. Office of the Commissioner  
Office of Legal Affairs  
Office of Inspections